Title:
IV.1.2 - Sanctity of contracts

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(a) A valid contract is binding upon the parties. It can only be modified or terminated by consent of the parties or if provided for by the law. The parties to a contract must, unless legally excused from performance, perform their respective duties under the contract ("pacta sunt servanda").

(b) A valid unilateral promise or undertaking is binding on the party giving it if that promise or undertaking is intended to be legally binding without acceptance.

Commentary:

1 The Principle is an expression of the general Principle of good faith which above all signifies the keeping of faith. Without such a rule international contract law would be a mere mockery.

2 The respect for this Principle requires parties to execute their contractual undertakings. However, the modalities of this execution are not indicated by this general Principle. It is the Principle of good faith which provides this precision in a way that one can merge both Principles into one when it comes to the performance of a contractual obligation: pacta sunt servanda bona fide.

3 In spite of its pivotal importance, the Principle of sanctity of contracts is not without exceptions. One such exception is the Principle of hardship. However, since the principle of sanctity of contracts is the rule, the hardship defense is available only in exceptional cases.

4 The Principle applies only between the parties to the contract. It does not prejudice any effect which the contract may have vis-à-vis third parties.